



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

Representatives Present During the Inspection:

| | | |
|---------|------------------|-----------------------------|
| Company | Rusty Netz | Environmental Coordinator |
| Company | Michael Blakey | Plant Manager |
| Other | S. Scott Carlson | President |
| OGM | Karl Houskeeper | Environmental Scientist III |

Inspection Report

| | |
|------------------|--------------------------|
| Permit Number: | C0070035 |
| Inspection Type: | COMPLETE |
| Inspection Date: | Wednesday, June 22, 2005 |
| Start Date/Time: | 6/22/2005 1:00:00 PM |
| End Date/Time: | 6/22/2005 3:00:00 PM |
| Last Inspection: | Wednesday, May 25, 2005 |

Inspector: Karl Houskeeper, Environmental Scientist III

Weather: Partly Cloudy. Temp 82 Deg F

InspectionID Report Number: 644

Accepted by: pgrubaug
6/27/2005

Permittee: **SUNNYSIDE COGENERATION ASSOCIATES**

Operator: **SUNNYSIDE COGENERATION ASSOCIATES**

Site: **SUNNYSIDE REFUSE & SLURRY**

Address: **PO BOX 159, SUNNYSIDE UT 84539**

County: **CARBON**

Permit Type: **PERMANENT COAL PROGRAM**

Permit Status: **ACTIVE**

Current Acreages

| | |
|--------|------------------------|
| 310.00 | Total Permitted |
| 202.00 | Total Disturbed |
| | Phase I |
| | Phase II |
| | Phase III |

Mineral Ownership

- ☐ Federal
☐ State
☐ County
☒ Fee
☐ Other

Types of Operations

- ☐ Underground
☐ Surface
☐ Loadout
☐ Processing
☒ Reprocessing

Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

There are no pending compliance actions. The only permit condition currently in place is that the permittee must submit all water monitoring data in an electronic format to the Division's web site. The permittee is complying with this stipulation.

Permit actions: Task #2223 Expansion of Excess Disposal Area #2.
Task #2252 Change in Resident Agent.

Inspector's Signature

Date

Thursday, June 23, 2005

Karl Houskeeper, Environmental Scientist III

Inspector ID Number: 49

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining.

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Inspection Continuation Sheet

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REVIEW OF PERMIT, PERFORMANCE STANDARDS PERMIT CONDITION REQUIREMENTS

1. Substantiate the elements on this inspection by checking the appropriate performance standard.
 - a. For COMPLETE inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check Not Applicable.
 - b. For PARTIAL inspections check only the elements evaluated.
2. Document any noncompliance situation by reference the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Divison Orders, and amendments.

| | Evaluated | Not Applicable | Comment | Enforcement |
|--|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
| 1. Permits, Change, Transfer, Renewal, Sale | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 2. Signs and Markers | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. Topsoil | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.a Hydrologic Balance: Diversions | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.b Hydrologic Balance: Sediment Ponds and Impoundments | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4.c Hydrologic Balance: Other Sediment Control Measures | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.d Hydrologic Balance: Water Monitoring | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4.e Hydrologic Balance: Effluent Limitations | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 5. Explosives | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Disposal of Excess Spoil, Fills, Benches | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 7. Coal Mine Waste, Refuse Piles, Impoundments | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 8. Noncoal Waste | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Protection of Fish, Wildlife and Related Environmental Issues | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Slides and Other Damage | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Contemporaneous Reclamation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Backfilling And Grading | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Revegetation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Subsidence Control | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Cessation of Operations | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.a Roads: Construction, Maintenance, Surfacing | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.b Roads: Drainage Controls | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. Other Transportation Facilities | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. Support Facilities, Utility Installations | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. AVS Check | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 20. Air Quality Permit | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 21. Bonding and Insurance | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 22. Other | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

1. Permits, Change, Transfer, Renewal, Sale

There are no pending compliance actions. The only permit condition currently in place is that the permittee must submit all water monitoring data in an electronic format to the Division's web site. The permittee is complying with this stipulation.

Permit actions: Task #2223 Expansion of Excess Disposal Area #2.
Task #2252 Change in Resident Agent.

The following permits were reviewed:

- Mining permit C/007/035 issued February 4, 2003 and expires February 4, 2008.
- UPDES permit #UT0024759 effective August 1, 2002 and expires midnight July 31, 2007.
- Air Quality Permit DAQO-702038-02 issued November 1, 2002, remains in effect.
- SPCC plan is only applicable to plant site which is not within the permit area.
- Certificate of Insurance effective 08/01/2004 and terminates 08/01/2005.
- Reclamation agreement is dated December 1996 and signed by both parties.

2. Signs and Markers

The mine ID sign is located adjacent to the tippie on a light pole. The MSHA Refuse and Impoundment signs were also checked during the inspection and contained the required information.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

The first quarter 2005 inspection of the sediment ponds was done in conjunction with the Division complete (March 25, 2005) inspection by Scott Carlson a registered professional engineer in the State of Utah. Mr. Carlson compiled a report dated April 8, 2005. The second quarter 2005 inspection of the sediment ponds was done in conjunction with this complete inspection. A report of the findings will be generated from the inspection.

4.d Hydrologic Balance: Water Monitoring

First quarter 2005 water monitoring is in the EDI website and uploaded. Water monitoring is current.

4.e Hydrologic Balance: Effluent Limitations

The May 2005 discharge monitoring reports were reviewed. The reports showed that no discharge occurred from any of the outfalls.

6. Disposal of Excess Spoil, Fills, Benches

Spoil is still being placed in Excess Spoil Pile #2. The permittee has an application submitted to the Division requesting the Expansion of this disposal area, Task ID #2223.

7. Coal Mine Waste, Refuse Piles, Impoundments

Mining of the refuse pile is still taking place in pockets according to fuel needs at the power plant. The pile appeared stable with no visible hazards.

19. AVS Check

The Applicant/Violator System (AVS) was checked on May 26, 2005. No violations were listed. The entity ID showed 149252 Sunnyside Holdings I Inc 50% ownership and 149255 Sunnyside II LP 50% ownership, which correlates with the information contained in the approved Mining and Reclamation Plan (MRP).

20. Air Quality Permit

DAQO-702038-02 issued November 1, 2002, remains in effect. Air Quality Permit DAQE-691-99 issued August 13, 1999 was replaced by DAQO-702038-02. The permit was modified to allow the usage of a diesel generator on the power plant site. The Air Quality Permit covers both the power plant and mine site. The power plant site is not regulated by DOGM.

21. Bonding and Insurance

A Pledge and Escrow agreement dated January 4, 2002 is in place. This agreement is between Wells Fargo and the Division of Oil, Gas and Mining on behalf of SCA. SCA has invested \$1,747,000 in federally guaranteed Treasury Notes. The required bond amount is \$1,720,000.

Insurance for the site is under Federal Insurance Company, policy #3581-69-76. The policy was issued on August 1, 2004 and expires on August 1, 2005. The policy meets all the minimum requirements of the coal rules. No explosives coverage is noted on the insurance form. However, the MRP clearly identifies that all issues regarding explosives are not addressed, since explosives will not be used at the site. The certificate holder is listed as the State of Utah, Division of Oil, Gas and Mining.